



AUDIT COMMITTEE MEETING
MINUTES

26 APRIL 2023

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CITY OF GREATER GERALDTON

**AUDIT COMMITTEE MEETING
TO BE HELD ON WEDNESDAY 26 APRIL 2023 AT 3.00PM
IN THE GREENOUGH ROOM – CIVIC CENTRE**

MINUTES

1 DECLARATION OF OPENING

The meeting was declared open at 3.00 pm by Chairman Mayor Van Styn

2 ATTENDANCE

Present:

Mayor Van Styn
Deputy Mayor Clune
Cr N Colliver

Officers:

R McKim, Chief Executive Officer
P Radalj, Director Corporate Services
R Doughty, Chief Financial Officer
T Machukera, Financial Accountant
M Adam, Minute Secretary

By Invitation: (by video link)

Amit Kambra
Mark Ambrose

Apologies:

Cr Thomas (proxy)

Leave of Absence:

Cr Reymond

3 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 14 March 2023 as attached be accepted as a true and correct record of proceedings.

MOVED: Cr Colliver SECONDED Cr Clune

Signed _____ Dated _____

COMMITTEE DECISION

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 14 March 2023 as attached be accepted as a true and correct record of proceedings.

CARRIED 3/0

Signed _____ Dated _____



AUDIT COMMITTEE MEETING
MINUTES

14 MARCH 2023

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CITY OF GREATER GERALDTON

**AUDIT COMMITTEE MEETING
TO BE HELD ON TUESDAY 14 MARCH 2023 AT 3.30PM
IN THE GREENOUGH ROOM – CIVIC CENTRE**

MINUTES

1 DECLARATION OF OPENING

The meeting was declared open at **3.31pm** by Chairman Mayor Van Styn

2 ATTENDANCE

Present:

Mayor Van Styn
Deputy Mayor Clune
Cr N Colliver

Officers:

R McKim, Chief Executive Officer
P Radalj, Director Corporate Services
T Machukera, Acting Chief Financial Officer
B Pearce, Manager Corporate Compliance and Safety
K Wheeler, Minute Secretary

By Invitation:

Nil

Apologies:

Cr Reymond
Cr T Thomas (proxy)

Leave of Absence:

Nil

3 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 13 December 2022 as attached be accepted as a true and correct record of proceedings.

COMMITTEE DECISION

Cr Clune moved a motion requesting the next external audit of Work Health and Safety systems (AC123 - LGIS Worksafe Plan Tier 3 Safety Audit) should include representation from City Volunteers.

MOVED Mayor Van Styn SECONDED Cr Colliver

Signed _____ Dated _____

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 13 December 2022 as attached be accepted as a true and correct record of proceedings.

CARRIED 3/0

Signed _____ Dated _____

4 ITEMS FOR AUDIT COMMITTEE REVIEW

AC130 COMPLIANCE AUDIT RETURN

AGENDA REFERENCE:	D-23-022296
AUTHOR:	M Adam, Governance Coordinator
EXECUTIVE:	P Radalj, Director Corporate Services
DATE OF REPORT:	15 February 2023
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x1) Compliance Audit Return 2022

EXECUTIVE SUMMARY:

The purpose of this report is for the Audit Committee to review the 2022 Compliance Audit Return (CAR) for the purposes of providing a report on the review to the Council.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act and regulation 14 of the Local Government (Audit) Regulations 1996 RESOLVES to:

1. REVIEW the results of the Compliance Audit Return 2022.
2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2022, at the Ordinary Meeting of Council on 28 March 2023.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

In accordance with section 7.13(1) of the *Local Government Act 1995* and regulation 14 of the *Local Government (Audit) Regulations 1996*, the City is required to carry out a compliance audit for the period 1 January 2022 to 31 December 2022 and prepare a Compliance Audit Return (CAR) in a form approved by the Minister.

The 2022 CAR is provided to the City by the Department of Local Government, Sport and Cultural Industries (the Department) and the areas of compliance are restricted to those considered high risk.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no adverse community impacts.

Environment:

There are no adverse environmental impacts.

Signed _____ Dated _____

Economy:

There are no adverse economic impacts.

Leadership:

Review of the Compliance Audit Return and reporting to the Council by the Audit Committee is a regulatory requirement under the provisions of the *Local Government (Audit) Regulations 1996 r.14 (3A)*.

RELEVANT PRECEDENTS:

The Audit Committee reviewed the 2021 Compliance Audit Return for the City of Greater Geraldton on 22 February 2022 AC115 and submitted a report to the Council on 29 March 2022 (report CCS677).

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.13(1)

Local Government (Audit) Regulations 1996 r.14

14. Compliance audits by local governments

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government’s audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

Signed _____ Dated _____

RISK MANAGEMENT

Local Governments are legislatively required to carry out a compliance audit for the period 1 January to 31 December in each year and prepare a return in the form approved by the Minister. The return must be reviewed by the Audit Committee, and the Committee are required to report to the Council the results of the review. Council is required to adopt the CAR and submit to the Department CEO by the 31 March following the period to which the return relates. Compliance with these provisions addresses the risk associated with regulatory obligation.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

COMMITTEE DECISION

MOVED Cr Clune SECONDED Cr Colliver

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act and regulation 14 of the Local Government (Audit) Regulations 1996 RESOLVES to:

- 1. REVIEW the results of the Compliance Audit Return 2022.**
- 2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2022, at the Ordinary Meeting of Council on 28 March 2023.**

CARRIED 3/0

Signed _____ Dated _____

5 FRAUD CONTROL – STANDING ITEM - Nil

6 GENERAL BUSINESS

- Cr Clune requested an update on the City’s transition to the new accounting systems. Paul R provided an overview of the IBIS Project, indicating Phase 1 (of 4 x Phases to be implemented over 3 years) will be live in July 2023. Phase 1 includes Payroll, HR, Accounts Payable, Procurement and some aspects of ERM (record keeping) and Asset Management.
- Temba M indicated an Entrance Meeting with Auditors (RSM) will be scheduled for April 2023.
- Paul R noted correspondence received from the Department of Local Government, Sport and Cultural Industries regarding reporting requirements to the Minister for Local Government in relation to the Information Systems Audit Report 2022. A written response has been sent to the Minister, noting the elements of risk associated with ICT audit findings / actions being published on the City’s website. A response from the Minister has not yet been received.

7 MEETING CLOSURE

There being no further business, the meeting was declared closed at **3.59pm**

Signed _____ Dated _____

4 ITEMS FOR AUDIT COMMITTEE REVIEW

AC131	AUDIT ENTRANCE MEETING WITH OAG AND RSM
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AGENDA REFERENCE:	D-23-047836
AUTHOR:	R Doughty, Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate Services
DATE OF REPORT:	11 April 2023
FILE REFERENCE:	GO/11/0020-0025
ATTACHMENTS:	Yes (x1) Audit Planning Memorandum

EXECUTIVE SUMMARY:

The purpose of this report is to provide the Committee with the Audit Planning Memorandum for the year ending 30 June 2023.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. RECEIVE the Audit Planning Memorandum for the year ending 30 June 2023.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Local Government Amendment (Auditing) Act 2017 made legislative changes giving the Auditor General the mandate to audit Western Australian local governments. The Act allows the Auditor General to contract out some or all the financial audits, but all audits remain the responsibility of the Auditor General.

Each year the Office of the Auditor General (OAG) undertake an audit of the City's financial report. The OAG appointed RSM as the contract auditor who will undertake the audits for the period 2020-21 to 2022-23.

The interim audit for the 2022-23 year is scheduled for May 2023, and prior to this an Entrance meeting is required to discuss the Audit Planning Memorandum (draft attached). This document provides detail of the proposed approach by RSM Australia in undertaking the financial audit.

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:

Community:

There are no adverse community impacts.

Economy:

There are no adverse economic impacts.

Signed _____ Dated _____

Environment:

There are no adverse environmental impacts.

Leadership:

There are no adverse leadership impacts.

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

Each year an audit entrance and exit meeting is held with OAG, the audit committee, and the contract auditor. The previous entrance meeting was 19 April 2022 report AC119.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government (Audit) regulations 1996, section 16:

An audit committee has the following functions —

- (a) *to guide and assist the local government in carrying out —*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) *regulation 17(1); and*
 - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
 - (i) *is required to take by section 7.12A(3); and*

Signed _____ Dated _____

- (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
- (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
- (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

FINANCIAL AND RESOURCE IMPLICATIONS:

Provision in the budget is made to undertake the audit.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive
Outcome 4.7	Council understands its roles and responsibilities and leads by example

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The audit entrance meeting assists both the Committee and the OAG to undertake the annual financial audit.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

No alternative options were considered.

NOTED

The Committee Received the Audit Planning Memorandum for the year ending 30 June 2023.

Signed _____ Dated _____



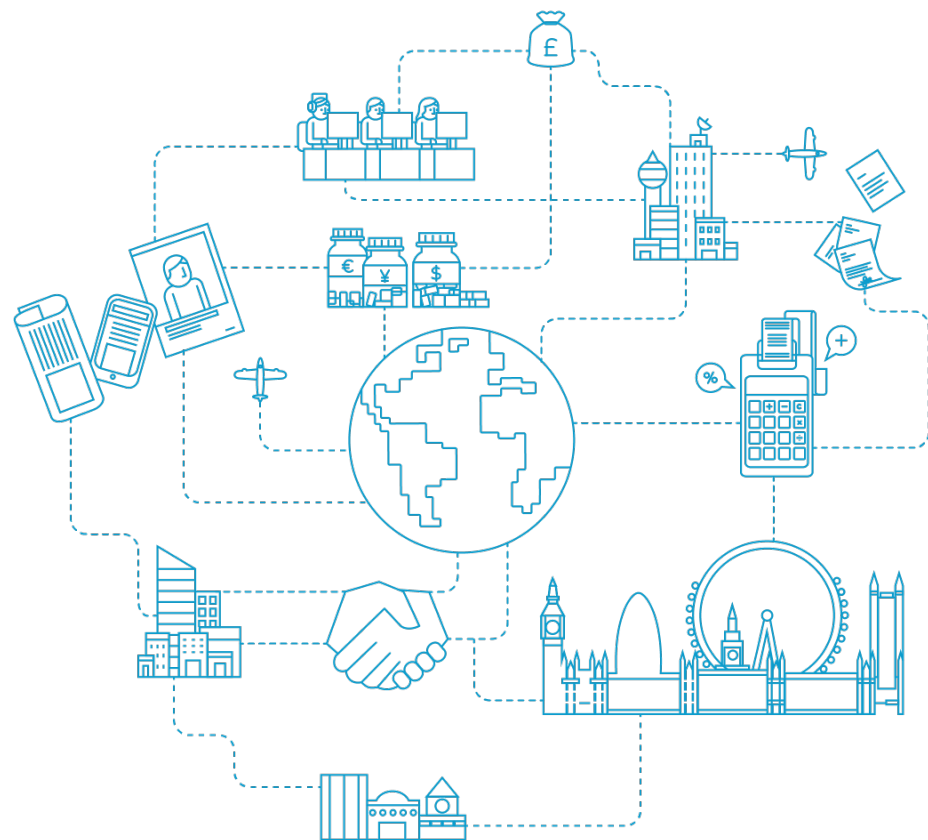
CITY OF GREATER GERALDTON

AUDIT PLANNING MEMORANDUM

Year ending 30 June 2023

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1. INTRODUCTION

This audit planning memorandum (**APM**) outlines the scope of our work and the key considerations in relation to our audit of City of Greater Geraldton (“**City**”) for the year ended 30 June 2023.

The purpose of this document is to set out our understanding of the key areas in the audit, when we will conduct the audit and your audit team.

The APM is prepared with input from management. The APM is tailored for the City’s environment and revised throughout the year to adjust for business developments, additional relevant matters arising, changes in circumstances, findings from activities performed and feedback we receive from you.

We look forward to working together with you.

Please do not hesitate to contact either one of us or one of the other team members should you wish to discuss any aspect of the engagement.

AMIT KABRA
Director – Assurance & Advisory
RSM Australia Pty Ltd

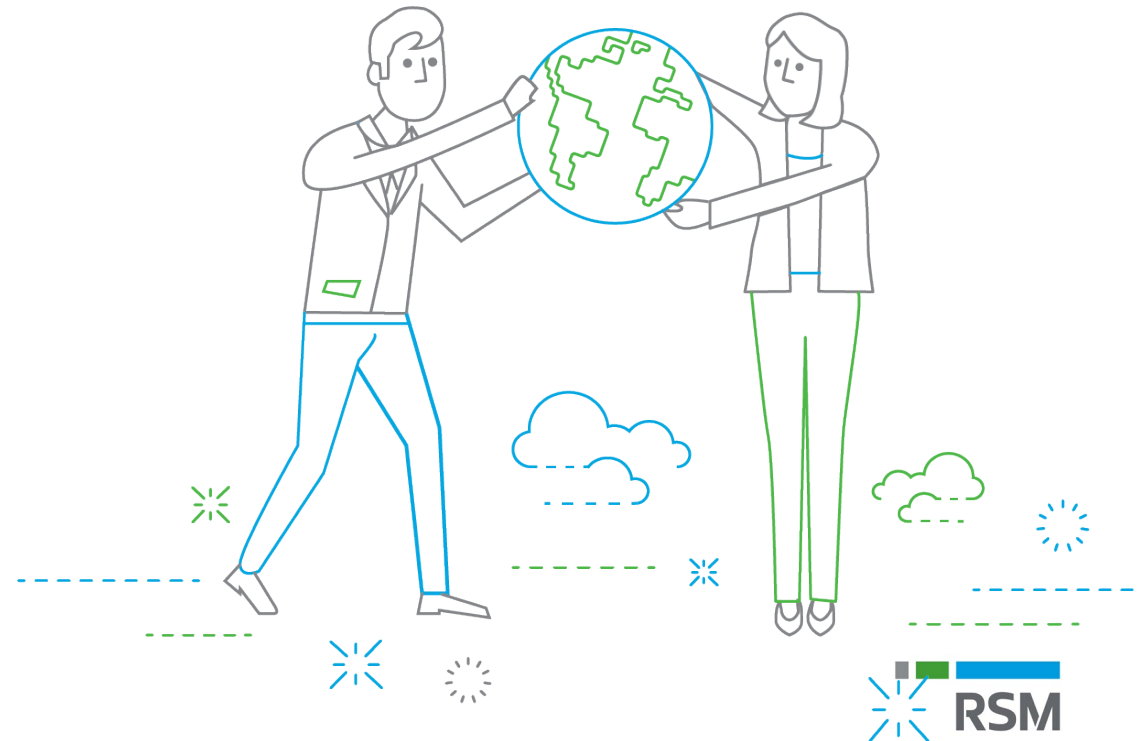
MARK AMBROSE
Senior Director – Financial Audit
Office of Auditor General

It is our **strong, collaborative** approach that differentiates us.

We will:

- Be committed to **quality** and **excellence**.
- Provide **tailored insights** to help you make **critical decisions with confidence**.
- **Add value** through ideas and insight.
- Bring you **expert global and local knowledge**.
- Help you **move forward with confidence**.

Experience the power of being understood.



2. AUDIT SUMMARY

Purpose of the Audit Planning Memorandum

The primary purpose of this Audit Planning Memorandum (**APM**) is to brief the City of Greater Geraldton (**City**) on the proposed approach by RSM Australia (**RSM**), on behalf of the Office of the Auditor General (**OAG**), to audit the financial report of the City for the year ending 30 June 2023.

The APM forms the basis for discussion at the audit entrance meeting scheduled for 26 April 2023 and is a key tool for discharging our responsibilities in relation to communicating with those charged with governance.

Scope of the Engagement

The scope of this engagement involves:

- (a) Expressing an opinion on the audit of the general-purpose financial statements for the financial year ending 30 June 2023, prepared in accordance with the *Local Government Act 1995 (Act)*, the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*, Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (**AASB**).
- (b) Report on the City's compliance with other legal and regulatory requirements as required by the *Local Government (Audit) Regulations 1996 (Audit Regulations)*.

As required by the *Auditor General Act 2006*, the Auditor General is required to express an opinion on the audit of the financial statements.

In addition to the above, the City also requires acquittal certifications of the following grants:

- (a) Roads to Recovery (R2R) grant under the National Land Transport Act 2014, Part 8; and
- (b) Local Roads and Community Infrastructure Program (LRCIP) grant in accordance with the LRCIP guidelines issued by the Australian Government Department of Infrastructure, Transport, Regional Development and Communications.

RSM will audit these certifications on behalf of the OAG.

Matters of significance

In accordance with section 24(1) of the Auditor General Act 2006, the Auditor General is required to report on matters arising out of the performance of the Auditor General's functions that are, in the opinion of the Auditor General, of such significance as to require reporting.

Arrangements

Audits are not an absolute guarantee of the accuracy or reliability of the City's information and may not have identified all matters of significance. This is because the work undertaken to form an opinion is permeated by judgement and most audit evidence is persuasive rather than conclusive. In addition, there are inherent limitations in any audit, including the use of testing, the effectiveness of internal control structures and the possibility of collusion.

Primary responsibility for the detection, investigation and prevention of irregularities rests with City. Consequently, the City remains responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, complying with the Financial Management Act 2006 and other relevant laws.

Under the Auditor General Act 2006, audit staff have unrestricted access to information held by the City, irrespective of any restrictions on disclosure imposed, such as secrecy provisions.

Confidentiality of audit files and working papers is required under the Auditor General Act 2006. The Office of the Auditor General is an 'exempt agency' under the Freedom of Information Act 1992. The signed contract between the Auditor General and RSM contains strict confidentiality clauses.

RSM's relationship with the OAG and the City

RSM has been contracted by the OAG to execute the scope and report to the OAG.

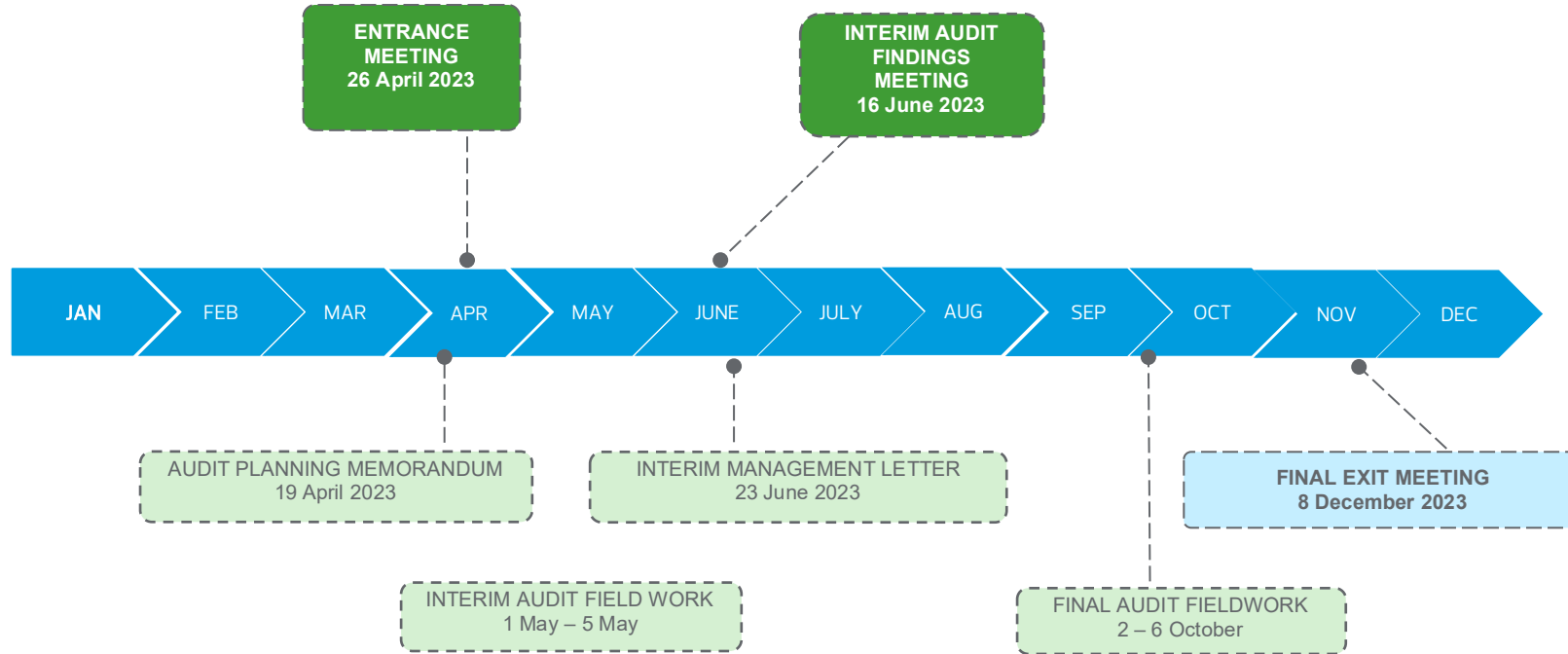
RSM is also required to report to the OAG any matter which may affect the Auditor General's responsibilities under sections 15 and 24 of the Auditor General Act 2006.

RSM's services will be conducted under the overall direction of the Auditor General, who will retain responsibility for forming the audit opinions and issuing the audit report to the City. The contract requires RSM to use its audit approach and methodology.









2. AUDIT SUMMARY (CONTINUED)

Timing

Based on discussion with management, we have agreed on the below milestones. A detailed timetable can be found at *Appendix 1*.



3. AUDIT APPROACH

<p>Internal control environment</p> 	<p>In accordance with Australian Auditing Standards, we will perform a review of the design and operating effectiveness of the entity's significant financial recording and reporting processes.</p> <p>We will ensure that any significant deficiencies that come to our attention during our audit are communicated to the councillors and management in a timely manner.</p> <p><i>Refer to Appendix 3 Key Controls for more details.</i></p>	<p>Materiality</p> 	<p>The planning materiality level will be calculated and determined using the RSM international audit methodology. The amount may be adjusted during the audit, depending on the results of our audit procedures.</p> <p>Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements and on our opinion.</p>
<p>Fraud Considerations</p> 	<p>Under Auditing Standard ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.</p> <p>Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the City. The City is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements. <i>Refer to Appendix 4 Fraud Risk for more details.</i></p>	<p>Key Areas of Audit Focus</p> 	<p>For all significant risk material account balances, the engagement team will specify which audit assertions pose significant audit risk and test this balance to ensure it is not materially misstated.</p> <p>Where we have determined that an assessed risk of material misstatement at the assertion level is a significant risk, we will perform substantive procedures that are specifically responsive to that risk.</p> <p>Non-significant risk material balances will be audited by substantive analytical procedures and tests of details, as necessary.</p> <p><i>Refer Section 5 Key Areas of Audit Focus for more details.</i></p>
<p>Information Systems</p> 	<p>In accordance with Australian Auditing Standards, we will obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.</p> <p><i>Refer to Appendix 7 Information Systems Audit Specialist for more details.</i></p>	<p>Other Critical areas</p> 	<p>We will audit the critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed.</p> <p><i>Refer to Section 6 Other Critical Areas in The Financial Statements for more details.</i></p>
<p>Going Concern</p> 	<p>In accordance with Australian Accounting Standards, management is required to make an assessment of the entity's ability to continue as a going concern when preparing the financial report.</p> <p>We will review management's assessment and, along with our audit evidence, form an opinion on the entity's ability to continue as a going concern.</p>	<p>Compliance</p> 	<p>We will enquire and consider the impact on the financial report any non-compliance with laws and regulations during our audit. Any identified instances of non-compliance will be reported to the councillors and management in a timely manner.</p>

4. CURRENT YEAR DEVELOPMENTS

As at the date of this audit plan, the City has advised the following major developments have, or will, occur during the current financial year, which may significantly affect our audit approach and procedures. We will obtain an update on any further major developments during our interim and final audit procedures.

Proposed Changes in Local Government Regulation

The State Government has announced a package of major reform for WA local government in November 2021. The proposed reforms have been developed based on findings identified as part of the Local Government Act Review and recommendations of various reports.

The Department of Local Government, Sport and Cultural Industries (**DLGSC**) has started work to implement the changes. The work by the DLGSC aligns with six themes of the proposed reforms including improved financial management and reporting.

As at the date of the APM, the first tranche of the reforms have been passed through Parliament, focusing on electoral reform with the second tranche to be introduced later in 2023. New standardised financial reporting templates will also be introduced by April 2023 to make financial reports clearer and easier to understand.

The new model financial templates will have new disclosure requirements, however at this stage it is unclear if there will be any impacts on the City for this financial year.

RSM Audit response

- While it has no impact to FY23, we will continue to review developments arising from the reform project and will assess the impact of changes to regulatory requirements and determine whether, to the extent necessary, any changes in controls and processes may be required.
- We will also ensure that the financial report comply with new requirements, if any.

Reduction in number of Councillors

Pursuant to the local government reforms, the City of Greater Geraldton council has approved a plan to reduce its number of representatives over the next two elections to meet new State Government reforms.

At a meeting on 31 January 2023, the council approved a motion which will see the number of councillors reduced from 12 to eight, plus a directly elected mayor, over the next two elections.

The council will shrink from 12 to 10 councillors after the upcoming election in October 2023 this year, and then from 10 to eight following elections in 2025.

This change does not affect the current financial year 2022-23 and the related parties' remuneration.

RSM Audit response

- Our audit approach will involve reviewing the minutes of the council meetings and other relevant documentation to confirm the approval and effective date of the plan and verifying that the remuneration to the related parties has been properly accounted for and disclosed in accordance with the relevant accounting standards and the City's policies.
- We will also assess the potential financial implications of this change in future years and disclose any relevant information in the financial statements.

Roads Renewal and Other Capital Projects

The City of Greater Geraldton has been actively engaged in road renewals, with ongoing expenditure of \$7 million to March 2023 in the current year, compared to \$11.3 million in the previous year. Additionally, there are notable projects such as the Meru Integrated Resource Recovery Facility with a budget of \$7 million set to commence in May 2023, with expenditure capitalised in the current and next financial year, as well as renewal of certain property and equipment with a budget of \$1.6 million.

RSM Audit response

- Our audit approach will involve obtaining detailed documentation and evidence of these projects, including but not limited to review of business case and council approval, contracts, invoices, and progress reports, and verifying the accuracy and completeness of the capital expenditure recorded in the financial statements.
- We will also assess the appropriateness of the accounting treatment and disclosure of these projects in accordance with the relevant accounting standards and the City's accounting policies.

Construction of the WA electric vehicle highway

The City of Greater Geraldton is part of Australia's longest electric vehicle (EV) highway (A state government project) with construction of the highly anticipated public charging station in the CBD now underway near the entrance to the Francis Street carpark.

The charging stations are part of the State Government's proposed EV network being constructed by Synergy and Horizon Power that will run from Perth to Kununurra, along the southwest coast to Eucla and east to Kalgoorlie which includes 98 charging stations at 49 locations across the State.

The City of Greater Geraldton has incurred a minimal expenditure of \$29,000 on the construction of electric vehicle charging stations.

RSM Audit response

- No significant impact to the financial statements but the audit team will review the fixed asset register to ensure completeness of the cost capitalised.

5. KEY AREAS OF AUDIT FOCUS

As part of the risk assessment, we have determined whether any of the risks identified are, in our judgment, a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our judgment, requires special audit consideration. The assessment is based upon:

- Enquiries of the Local Government Administration and Executive.
- The complexity of transactions within each area.
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a management estimate and judgment.
- Whether the area is exposed to fraud risk.

Using the 30 June 2023 budget, recent financial reports to Council and the 30 June 2022 financial statements as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant risks and balances for the current financial year:

Significant risks

Statement of comprehensive income

- Revenue recognition: Grants, subsidies and contributions (operating and non-operating)

Statement of financial position

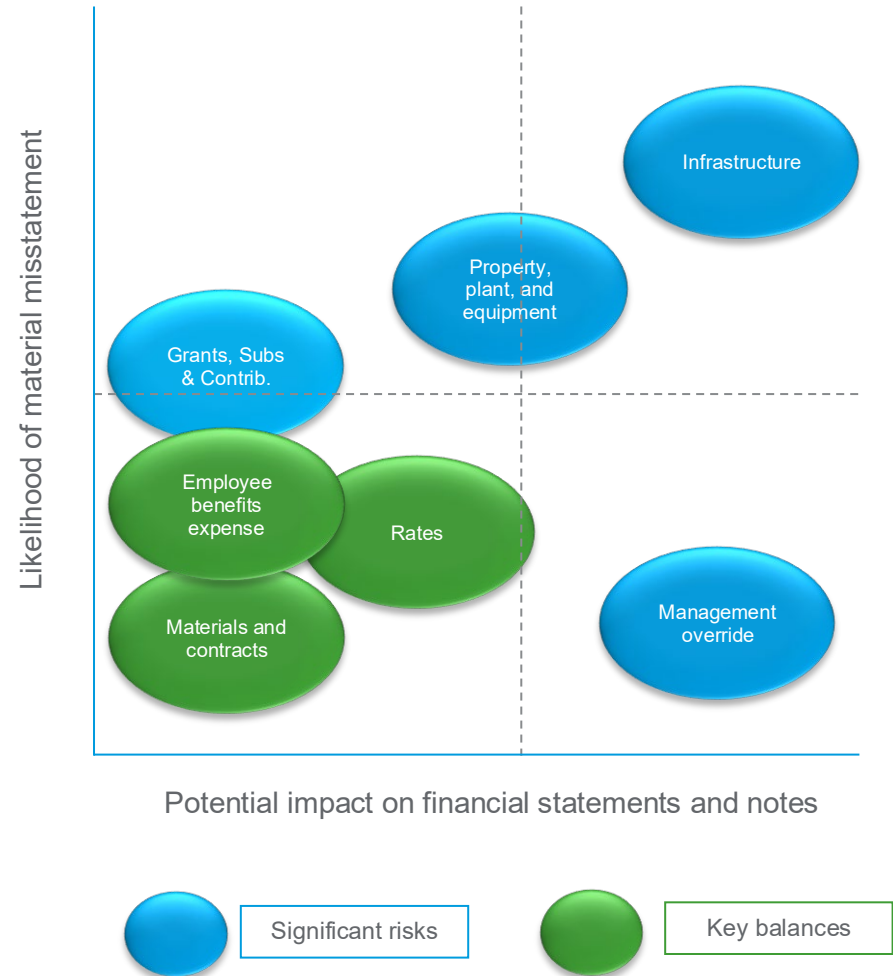
- Investment property
- Infrastructure
- Property, plant, and equipment

Management override

Key balances

Statement of comprehensive income

- Rates
- Materials and contracts
- Employee benefits expense



5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

SIGNIFICANT RISK

1. Management override of controls

Reasons why RSM considers this area as significant risk	RSM Audit response
<ul style="list-style-type: none"> Recording fictitious journal entries to manipulate operating results or achieve other objective. Inappropriately adjusting assumptions and changing judgements used to estimate account balances. Altering records and terms related to significant and unusual transactions. Omitting, obscuring, or altering the timing of recognition and /or disclosure of transactions required under AASBs 	<ul style="list-style-type: none"> Testing journal entries recorded in the general ledger and adjustments on a sample basis based on data analytics to identify journal entries that exhibit characteristics of audit interest. Assessing accounting estimates for evidence of biases. Review unusual, significant transactions and related party transactions. Conduct unpredictability test (discussed in <i>Appendix 4</i>).

2. Revenue recognition – Grants, subsidies and contributions, Fees and charges

Reasons why RSM considers this area as significant risk	RSM Audit response
<p>The Local Government recognises revenue from multiple revenue streams outside of its income from rates, including operating grants, subsidies and contributions, fees and charges and non-operating grants, subsidies and contributions.</p> <p>There is a risk that the recognition of revenue may not be compliant with the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income for Not-for-Profits</i>.</p> <p>Furthermore, there is a presumed fraud risk within revenue recognition under the Australian Auditing Standards.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none"> Assess the design, implementation and operating effectiveness of key internal controls operating within the revenue cycle, including application controls. Reviewing the IT general controls related to core financial accounting system. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none"> Perform analytical procedures on fees and charges (such as those related to waste management). Performing test of details, on a sample basis, over fees and charges and grants, subsidies and contributions throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in line with the Local Government's revenue recognition policy. Perform calculation checks for contract liabilities related to grants, subsidies and contributions and vouch to agreements. Review receivables balances on a sample basis and perform subsequent receipt testing. Perform testing on journal entries for any management override of internal controls related to revenue recognition.

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

3. Infrastructure and Property, Plant and Equipment

Reasons why RSM considers this area as significant risk	RSM Audit response
<p>Infrastructure and Property, Plant and Equipment constitutes approximately 92% of the Local Government's total assets as of 30 June 2022.</p> <p>The City has advised that all classes of Infrastructure assets are due for revaluation as at 30 June 2023, in line with the requirements of the Financial Management Regulations.</p> <p>The assets' service potential, useful life, asset condition, residual value and assessment of impairment indicators involve significant accounting estimates and judgments with a potential for management bias.</p> <p>In addition to the above, while Land and Buildings are not due for revaluation as at 30 June 2023, the City has arranged for a desktop valuation on these class of assets to identify if there is any significant movement to the fair value.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">Assess the design, implementation and operating effectiveness of key internal controls operating within the Infrastructure and Property, Plant and Equipment cycle, including application controls. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">Performing test of details, on a sample basis, material additions to Infrastructure, Property, Plant and Equipment (which includes works in progress) to ensure they qualify for capitalisation under AASB 116 <i>Property, plant and equipment</i>.Review management's assessment of the independent valuation of infrastructure assets.Review the methodology, assumptions and inputs used by the independent valuers in the valuation. Corroborate the key movements to changes in inputs and discussions with management.Test accuracy and completeness of data sets including review useful lives, condition assessments and depreciation rates.Performing analytical procedures over the annual depreciation charge.Review management impairment assessment for any indication of management bias.Reviewing the disclosures in the notes to the financial statements are appropriate.

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

KEY BALANCES

Account and characteristics	RSM Audit response
<p><i>Rates</i></p> <p>Revenue is measured by considering multiple elements, for example rates transactions are calculated by the application of a rate in the dollar to the Gross Rental Value (GRV) or Unimproved Value (UV), which is in turn determined by dividing the required rate collection amount by the total valuations on the roll.</p> <p>GRV's and UV's vary between the various property types, such as mining and pastoral. The GRV / UV is supplied by Landgate.</p> <p>Lastly, rates revenue represents a significant portion of the Local Government's annual operating income and is an important revenue stream in terms of the Local Government's cash flows.</p> <p>In addition, further complexity and risk is associated with the requirement for the Local Government to comply with Part 6, Division 6 'Rates and service charges' of the <i>Local Government Act 1995</i>.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">Assess the design, implementation and operating effectiveness of key internal controls operating within the revenue cycle, including application controls.Reviewing the IT general controls related to core financial accounting system. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">Review rates receivables balances on a sample basis and perform subsequent receipt testing.Perform analytical procedures on rates through detailed comparison with Landgate valuation data and approved rate in the dollar.Determine if the disclosures in the notes to the financial report related to revenue recognition policy are appropriate.
<p><i>Materials and contracts</i></p> <p>The Local Government's expenditure is comprised of several material components, including employee benefits expense, materials and contracts, depreciation and other expenditure.</p> <p>Due to the overall significance of materials and contracts and the risk of management override, the different cost allocation methods, the strict and complex requirements of the Local Government functions and general regulations, materials and contracts expense is considered a key class of transactions.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">Assess the design, implementation and operating effectiveness of key internal controls operating within the purchasing and procurement cycle, including application controls.Reviewing the IT general controls related to core financial accounting system. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">Performing test of details, on a sample basis, over materials and contracts expense. The samples will be selected from transactions occurring throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in the correct period.Perform a search for unrecorded liabilities.

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

Account and characteristics	RSM Audit response
<p data-bbox="107 320 405 347"><i>Employee benefits expense</i></p> <p data-bbox="107 363 1088 419">The Local Government's expenditure is comprised of several material components, including employee benefits expense, materials and contracts, depreciation and other expenditure.</p> <p data-bbox="107 448 1099 504">Due to the overall significance of employee benefits expense and the risk of management override, the different cost allocation methods, it is considered a key class of transactions.</p>	<p data-bbox="1131 320 1406 347"><i>Test of controls including:</i></p> <ul data-bbox="1131 363 2130 467" style="list-style-type: none"><li data-bbox="1131 363 2130 419">▪ Assess the design, implementation and operating effectiveness of key internal controls operating within the payroll cycle, including application controls.<li data-bbox="1131 435 2018 467">▪ Reviewing the IT general controls related to core financial accounting system. <p data-bbox="1131 483 1451 510"><i>Substantive testing including:</i></p> <ul data-bbox="1131 526 2130 770" style="list-style-type: none"><li data-bbox="1131 526 2130 582">▪ Analytical procedures over employee benefit expenses and amounts allocated from employee benefits to capital projects.<li data-bbox="1131 598 1989 630">▪ Analytical procedures over annual leave and long service leave provisions.<li data-bbox="1131 646 2130 702">▪ Check the mathematical accuracy of the long service leave computation, including consideration of significant assumptions, methods and data utilised.<li data-bbox="1131 718 2130 770">▪ Performing test of details, on a sample basis, of Key Management Personnel ('KMP') remuneration disclosures in the financial report.

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

OTHER MATERIAL BALANCES

Statement of Financial Position	RSM Audit response
Employee benefit provisions	<ul style="list-style-type: none"> Review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. Considering the reasonableness of assumptions and corroborating representations. Review management's assessment on casual employees' leave entitlements.
Provision for remediation costs	<ul style="list-style-type: none"> Review management's assessment to identify change in circumstances and any change required to the provision for remediation costs. Review present value calculation for the provision for remediation costs.
Borrowings	<ul style="list-style-type: none"> Obtain Audit Report issued by WA Treasury Corporation and agree loan balance, finance costs and repayment terms.
Right-of-use asset and lease liabilities	<ul style="list-style-type: none"> Obtain the various material lease agreements and review the accounting treatment and related disclosures in the notes to the financial statements. Review the practical expedient option applied by the City to recognise the leases in the financial statements under AASB 16.
Trade receivables	<ul style="list-style-type: none"> On a sample basis, test trade receivables to supporting documentation and subsequent receipts (where possible). Review management's assessment of reasonableness of provision for expected credit losses.
Trade and other payables	<ul style="list-style-type: none"> On a sample basis, test trade payables and accruals to supporting documentation and subsequent payment (where possible).
Statement of comprehensive income	RSM Audit response
Other revenue	<ul style="list-style-type: none"> On a sample basis, test other revenue to supporting documentation throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in line with the Local Government's revenue recognition policy.
Other expenditure	<ul style="list-style-type: none"> On a sample basis, test supplies and services expense to supporting documentation to ensure recorded in correct year.

6. OTHER CRITICAL AREAS AND DISCLOSURES WITHIN THE FINANCIAL STATEMENT

RSM will also audit the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed.

Related party disclosures

The City continues to be subject to the requirements of AASB 124 Related Party Disclosures. The Standard requires disclosures for senior officers' compensation and certain transactions with related parties. A review will be conducted to ensure proper accounting and disclosure of related party transactions and executive remuneration.

Further, section 7.12AL of the Act applies section 17 of the Auditor General Act 2006 to a local government, which requires the City to advise the Auditor General in writing of details of all related entities that are in existence.

RSM Audit response:

We will review the disclosures and supporting material to ensure compliance with AASB 124. We will also assess the City's internal controls around the identification and proper disclosure of related party transactions and executive remuneration.

Capital and other commitments for expenditure

The City must disclose in the financial statements its capital and other commitments relating to future asset construction and replacements.

RSM Audit response:

We will check the underlying calculations and review the evidence to support the amounts disclosed.

Reserve accounts

The City has established several reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. Although reserve accounts are aggregated with municipal funds in the financial statements, they are segregated in the notes to the financial statements as restricted funds.

RSM Audit response:

RSM will review the reserve account reconciliations and test that the transfers to and from these accounts are approved by Council and are in accordance with the specific purpose of the reserve.

Major land transactions

Regulation 46 of the Financial Management Regulations prescribes the disclosure requirement for major land transactions. The information to be disclosed by the City is set out in regulation 47 and includes:

- Details of the total income and expenditure for the transaction; and
- Details of the amount or value of any surplus of money or assets.

RSM Audit response:

RSM will review the financial records of the City to assess whether all major land transactions have been identified and disclosed in accordance with regulation 47.

7. INFORMATION SYSTEMS AUDIT APPROACH

There is a general reliance on “Synergy Soft”. In some circumstances the information systems are integrated, whereas in others they are separate and rely on manual transfer of data between systems.

The scope for the audit of City of Greater Geraldton will be a streamlined scope.

The following scope areas are typically addressed as part of our ITGC scope of work:

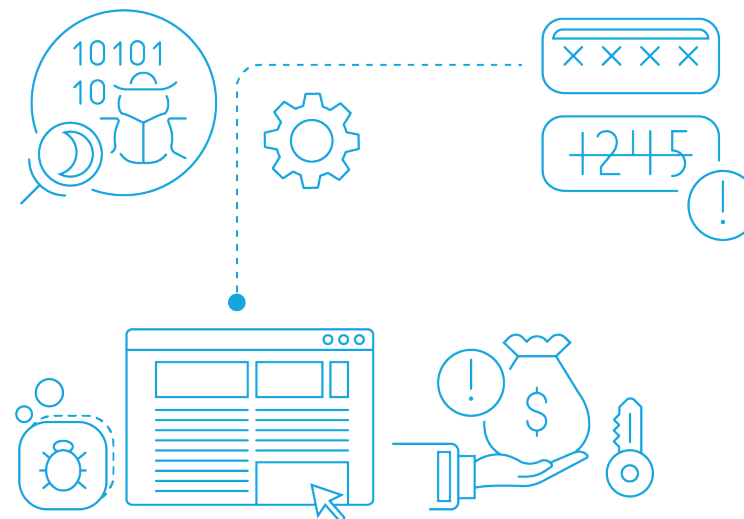
- IT governance
- IT strategy
- IT security
- Change management
- Business continuity, disaster recovery and backups.

Due to the varying degree of financial system integration at each local government, RSM has assessed the information system environment as being sophisticated and we will engage an Information System Auditor (**ISA**) specialist to assess the risk of material misstatement imposed by the Information Technology (**IT**) environment at each local government.

The audit procedures conducted by the ISA will be:

- Testing general IT controls around system access and testing controls over computer operations within specific applications which are required to be operating correctly to mitigate the risk of misstatement in the financial statements;
- Reviewing the key controls around change management related to significant IT systems.

RSM complies with Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment. Our approach to information systems audit is to obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.



8. YOUR ENGAGEMENT TEAM

Your engagement team has been carefully selected to provide you with an efficient and effective audit through their relevant experience. The core audit team consists of the following members who will be supported by appropriately skilled team members:

RSM Core Engagement Team



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Subject Matter Specialists



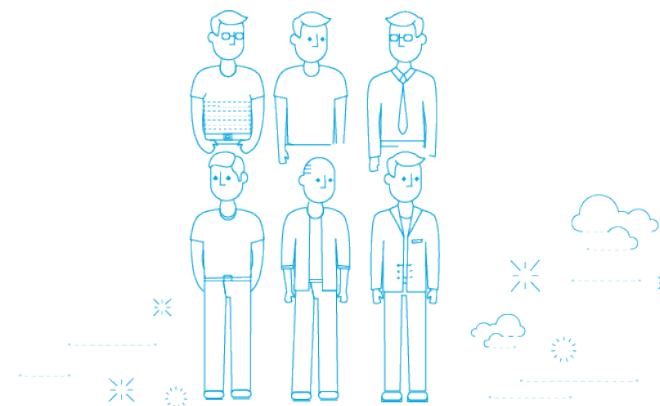
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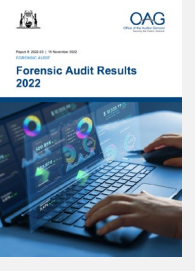


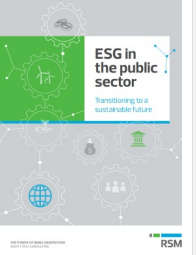

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9. HAVE YOU CONSIDERED?

Some recent publications from the WA Office of the Auditor General and RSM has been included here for reference.

	<p>Information Systems Audit – Local Government 2021-22</p> <p>This is the fourth local government annual information systems audit report.</p> <p>https://audit.wa.gov.au/reports-and-publications/reports/information-systems-audit-local-government-2021-22/</p>		<p>Forensic Audit Results 2022</p> <p>This report provides an update on the activities of the Forensic Audit business unit during 2022..</p> <p>https://audit.wa.gov.au/reports-and-publications/reports/forensic-audit-results-2022/</p>
	<p>Cyber Security in Local Government</p> <p>This audit assessed if a sample of 15 local government entities manage cyber security risks and respond to cyber threats effectively.</p> <p>Cyber Security in Local Government - Office of the Auditor General</p>		<p>Financial Audit Results – Local Government 2020-21</p> <p>This report includes the financial audit results for 132 of the 148 local government entities.</p> <p>https://audit.wa.gov.au/reports-and-publications/reports/financial-audit-results-local-government-2020-21/</p>
	<p>ESG in the public sector</p> <p>As industry seeks to navigate this evolving paradigm, many have been quick to promote adherence with ESG ideals to keep pace with changing consumer and taxpayer sentiment.</p>		<p>Your guide to sustainability and ESG</p> <p>The ultimate sustainability handbook for SMEs: Understand the risks, opportunities and challenges of going green. Sustainable business has become a question of “when” not “if”. With global shifts on the horizon and an increased focus on strong climate action, the answer may well be “soon”.</p> <p>https://www.rsm.global/australia/thinkbig-report-sustainability</p>



APPENDICES

APPENDIX 1 – TIMETABLE

Phase	Task	Indicative time frame*	Action
Pre-planning	Pre-planning meeting to review and update the overall audit approach and plan	12 April 2023	RSM/City
	Issue draft APM to the City for commentary	19 April 2023	RSM
	Entrance meeting with the Council Members, the City's Administration, OAG and RSM for the presentation and discussion of final APM	26 April 2023	RSM/OAG/City
Interim Audit Fieldwork	Issuing of Interim Audit Preparation Checklist to the City	26 April 2023	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures	1 - 5 May 2023	RSM
	Assessment of status of Management Letter points raised from prior year	1 May 2023	RSM/OAG/City
	Review of audit file by the OAG	Week of 13 June 2023	OAG
Interim Audit Reporting	Interim audit findings meeting with the City's Administration and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	16 June 2023	RSM/City
	Issue the draft Interim Audit Management Letter (if any) for the year ending 30 June 2023 to the OAG for consideration and comment	23 June 2023	RSM/OAG
	Issue of the draft Interim Audit Management Letter (if any) to the City for consideration and comment.	28 June 2023	RSM/City
	Return of draft Interim Audit Management Letter (if any) to RSM with commentary	30 June 2023	City
	Issue the Interim Audit Management Letter (if any)	7 July 2023	OAG
Draft Financial Report	The City submits proforma financial report to RSM for review and comment. This will be in the form of the statutory model with the previous year's actuals displayed.	31 August 2023	City
Final Audit Fieldwork	Issuing of Final Audit Preparation Checklist	4 September 2023	RSM
	Provision of trial balance as at 30 June 2023 to RSM	No later than 30 September 2023	City
	City to submit draft financial report in accordance with section 6.5 (3) of the Act.	No later than 30 September 2023	City
	Performance of substantive tests for revenue and expenditure cycles for the 3 months ending 30 June 2023	2 – 6 October 2023	RSM
	Performance of substantive tests for balance sheet accounts as at year end and review of financial statement disclosure		
	Review of audit file by the OAG	Mid November 2023	OAG

Phase	Task	Indicative time frame*	Action
Final Audit Reporting	Final audit findings meeting with the City's Administration and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any.	9 November 2023	RSM / City
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2023 to the OAG for consideration and comment	10 November 2023	RSM/OAG
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2023 to the City for consideration and comment	14 November 2023	RSM/ City
	Return draft Final Audit Management Letter (if any) for the year ending 30 June 2023 to RSM with commentary	17 November 2023	City
	Issue the Final Audit Management Letter (if any) to the OAG	20 November 2023	RSM
	Issue draft Management Representation Letter and draft Financial Report to the City for consideration and comment	23 November 2023	RSM
	Issue, Financial Report and Audit Closing Report at least 1 week before exit meeting.	1 December 2023	RSM
	Final audit exit meeting with the Council Members, the City's Administration, OAG and RSM.	8 December 2023	RSM/OAG/City
	Independent Contract Auditor's Report issued	8 December 2023	RSM
	OAG to sign and issue the Audit Report	Within 5 working days of receiving the signed financial statements and reporting from RSM.	OAG
	City's Ordinary Council Meeting for the adoption of the 30 June 2023 Financial Report	8 December 2023	City

Audit preparation checklist

To assist the City to gather and collate the necessary audit information and documentation, we will issue in advance of each audit visit an Interim Audit Preparation Checklist and a Final Audit Preparation Checklist utilising CaseWare Xtend. As the requested information will be an important part of our audit working papers, the information required must be made available to RSM on or before the audit fieldwork dates specified above. This will facilitate the delivery of an efficient audit and help to minimise interruptions to the City's staff.

CaseWare Xtend will facilitate the delivery of an efficient audit and help to minimise interruptions to the City's staff. We have found this facility to be very useful and clients have appreciated the savings in time and reduced disturbance by auditors during the audit fieldwork. The benefits of CaseWare Xtend include:

- Securely request, file and store sensitive data within the audit engagement.
- Collaborate and communicate in real time, allowing for a more adaptable and transparent workflow.
- Manage requests in one centralised location that is readily accessible.
- Track the status of audit requests.

APPENDIX 2 – RSM ORB



An RSM Audit puts quality at its heart to deliver.

We recognise that the delivery of a quality audit service is critical to achieving client satisfaction and our audit objectives.

In undertaking the audit on the financial report, we have utilised our technology platform and proprietary methodology, RSM Orb.

RSM Orb is our optimal risk-based audit methodology, deployed across more than 100 countries worldwide. Our technology platform and proprietary methodology enables our auditors to focus on your risks and design procedures tailored to your unique circumstances and environment. RSM Orb enables us to develop a deeper understanding of your business, providing you with critical insights now and for the future.

An RSM Orb audit delivers:

Consistency

- A consistent approach across any number of operations and jurisdictions, tailored to your unique risks and circumstances.

Innovation

- Optimising our use of technology in how we plan and conduct our work to enhance your audit experience.

Critical insights

- Pinpointing those areas that require closer scrutiny and enhanced judgement, enabling us to be more effective in addressing risk areas and adding intellectual value and critical insights.

Confidence

- Delivered through robust and considered planning, an efficient technology platform and a highly qualified, experienced team.



APPENDIX 3 – KEY CONTROLS

3.1 Internal controls

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting. The City is responsible for developing and maintaining its internal control framework to enable:

- Preparation of accurate financial records and other information;
- Timely and reliable external and internal reporting;
- Appropriate safeguarding of assets; and
- Prevention or detection and correction of errors and other irregularities.

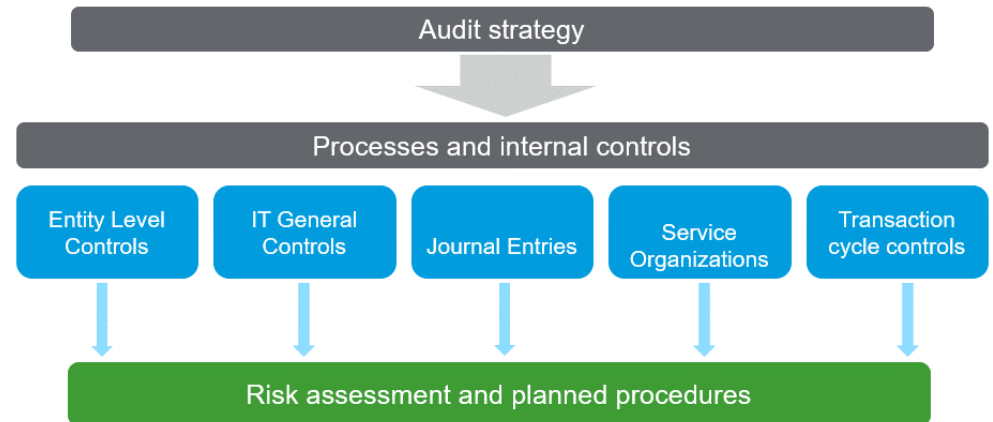
The annual financial audit enables the Auditor General to form an opinion on the City's controls. An integral part of this, and a requirement of Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, is to assess the adequacy of an organisation's internal control framework and governance processes related to its financial reporting.

We focus on the internal controls relating to financial reporting and assess whether the City has managed the risk that the financial statements will not be complete and accurate. Poor controls diminish management's ability to achieve the City's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures reviewed our understanding of the following components of internal control:

- Control environment
- Risk assessment procedures
- Information systems
- Control activities
- Monitoring procedures

Our preliminary assessment of the internal control framework determined that internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. As such, we plan to place reliance on the key internal controls relating to the material components in the financial statements to support the audit opinion.



3.2 Significant changes to internal controls

The City advised that there are no major changes to its management and internal control environments and are not aware of any major changes that may significantly impact the FY23 financial statements.

3.3 Effectiveness of internal controls

City management team has a substantial focus on ensuring that controls in place are robust and that financial reporting is accurate. The financial controls, processes and procedures across City are at a mature stage with proper documentation and ownership within the various business units.

The status of the matters raised during the previous audit is as follows:

Matter	Rating	Due Date
Fair Value of Infrastructure Assets - Frequency of Valuations	Significant	June 2023
Council and operational policies overdue for review	Minor	June 2023
Physical Security Management	Moderate	Completed
IT Governance – Policies & Procedures	Moderate	December 2023
Password Management	Minor	Completed

We will review the resolution of the above matters during the course of the FY23 audit process.

We will assess City's overall control environment, including meeting with senior management and City's compliance and internal audit functions. This will include consideration of senior management's approach, the quality of internal audit and risk management processes and procedures.

3.4 Internal audit

Subject to the requirements of Auditing Standard ASA 610 Using the Work of Internal Auditors, if we have satisfied ourselves regarding the competence and objectivity of internal audit, we plan to rely on their work. The use of the City's internal audit function may be used in the following ways:

- To obtain information that is relevant to RSM's assessments of the risks of material misstatement due to error or fraud; and
- As partial substitution for audit evidence to be obtained directly by RSM.

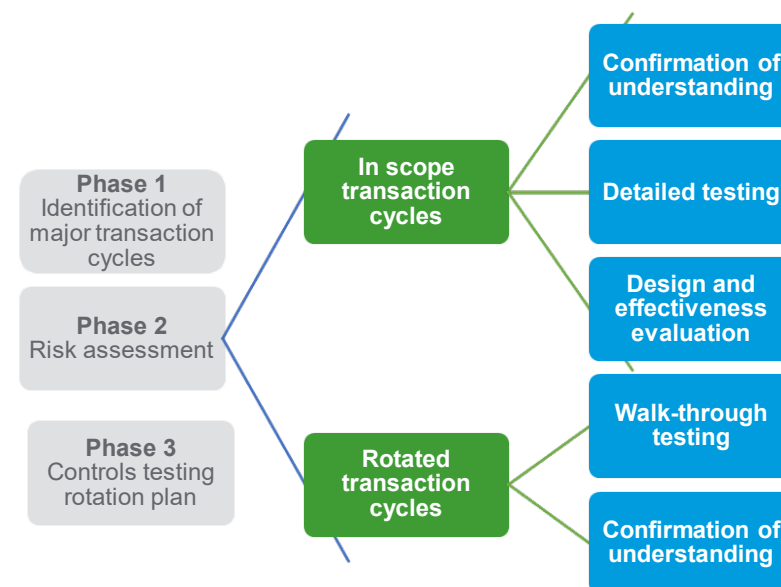
The responsibility for internal audit rests with the City. The City internal audit functions are a mix of internal and outsourced to third parties. We have discussed with the City,

the current year internal audit work program and plan to rely on their work where relevant and appropriate.

3.5 Rotation approach

In accordance with our rotational controls testing approach, we will conduct a risk assessment for each major transaction cycle. The risk assessment is benchmarked against our knowledge of each transaction cycle which enables us to design a control testing rotation plan that will bring certain transaction cycles into audit scope each year. Those cycles not in scope will be subject to our normal walk-through procedures and confirmation of our understanding of the key controls. Those transactions cycles in scope will be subject to detailed controls testing, including testing of the design and effectiveness of those controls.

During the current audit, we will use a rotation approach to test the design and effectiveness of key controls used in a sample of major transaction cycles linked to significant risk areas. Some transaction cycles will be rotated out and not subject to design and effectiveness testing. Instead, we will update our understanding of the controls and confirm our understanding using walk-through procedures.



APPENDIX 4 - FRAUD RISK CONSIDERATIONS

Under Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.

Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the City. The City is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements.

4.1 Audit approach

Our audit procedures on fraud risk include the following:

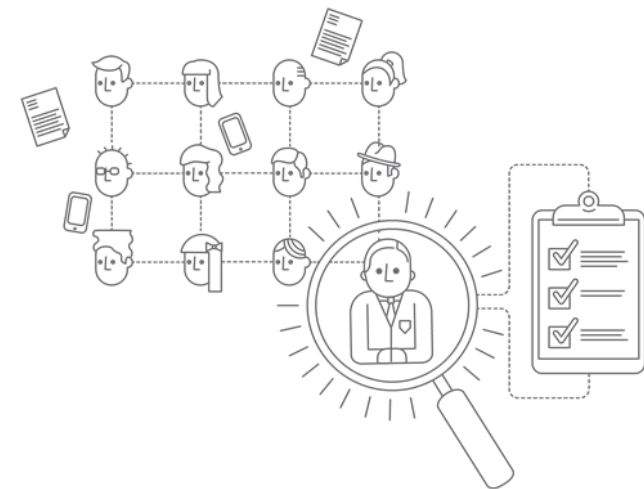
- Forward a copy of the fraud control checklist for self-assessment to the City's management, prior to our interim audit visit. The checklist allows us to make inquiries of management, to obtain its understanding of the risk of fraud within the City and to determine whether management have any knowledge of fraud that has been perpetrated on or within the entity. We will review the fraud control self-assessment by the City's management and the Audit Committee.
- Review the City's fraud control procedures in place to reduce the risk of fraud occurring within the entity, including the City code of conduct and fraud risk profile.
- Understand the City's manual general journal entries process as part of our fraud testing using CaseWare IDEA software.
- Analyse the financial year end balances in comparison with prior period balances to confirm the movements of the balance are in line with our expectations.
- Understand the business rationale for significant or unusual transactions.

4.2 Unpredictability test

We will incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting.

4.3 Fraud incidences during the year

The City's management has represented that no matters have been reported to the Crime and Corruption Commission or the Public Sector Commission. The City's management have confirmed that there were no fraud incidences to the date of this APM.



APPENDIX 5 - AUDIT APPROACH TO THE KEY AUDIT AREAS

5.1 Risk assessment

Key audit areas are those areas that, in RSM's professional judgment, will be of most significance in our audit of the financial statements. As part of our audit approach, we have conducted an initial financial statement risk assessment to determine whether any of the risks identified are, in our judgment, significant or high. A significant or high risk is an identified and assessed risk of material misstatement in the financial statements that, in our judgment is a key audit area and requires special audit consideration. Our assessment of key audit areas is based upon:

- Enquiries of management and directors.
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Whether the area is exposed to fraud risk.

5.2 Professional scepticism

We approach all our audits with a degree of professional scepticism as required by Australian Auditing Standards and the *Auditor General Act 2006*. In addition, professional scepticism is a key component of delivering an effective public sector audit. *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'.

Professional scepticism is particularly relevant in areas that involve management assumptions and/or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

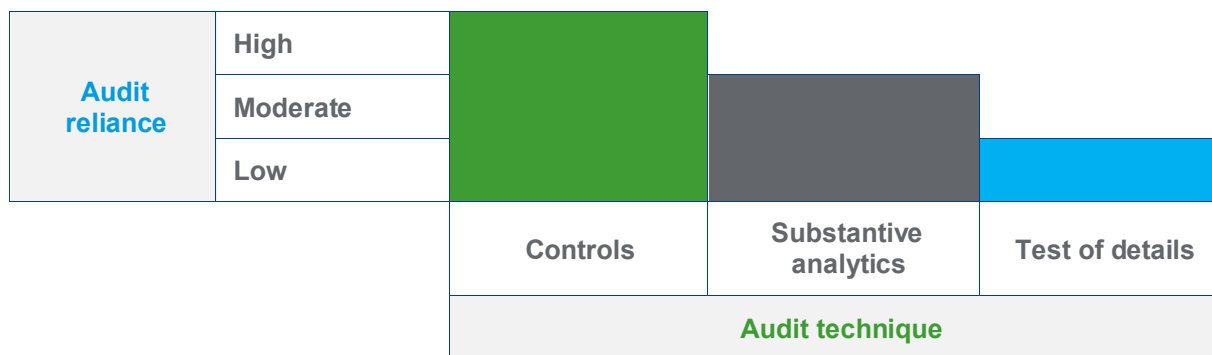
- Overlooking unusual circumstances; and
- Over generalizing when drawing conclusions from observations using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.
- of evidence-gathering procedures and evaluating the results thereof.



5.3 RSM approach to auditing significant risks

RSM's approach to auditing a class of transactions, account balance or disclosure is to initially assess whether there is a reasonable possibility that it could contain a material misstatement. Our risk assessment is based on both quantitative and qualitative criteria to determine whether they are significant.

Our audit strategy follows a hierarchy, which starts with the testing of controls, then moves to substantive analytical review procedures and then finally testing of details. The following diagram shows an example where a high level of reliance on controls, along with a moderate level of reliance on substantive analytics is likely to result in the testing of details that can safely rely on smaller sample sizes.



Based on previous audit experience at the City and review of the City's financial information, we have assessed that we can rely on internal controls, which effectively means we can apply a moderate level of substantive analytics and limited testing of details. This controls based approach is both efficient and effective.

APPENDIX 6 – OTHER GOVERNANCE MATTERS

Management representation letter

The audit plan assumes that the City's representatives will be able to sign a management representation letter. We will draft a management representation letter and forward to the City for consideration and review. The management representation letter is expected to be signed at the same time as the annual financial report is signed.

We will rely on the Chief Executive Officer signing the financial statements as evidence that they have:

- Fulfilled their responsibilities for the preparation and fair presentation of the financial statements and key performance indicators in accordance with *Local Government Act 1995 (the Act)*, *Local Government (Audit) Regulations 1996 (Audit Regulations)* and Australian Accounting Standards;
- Established and maintained an adequate internal control structure and adequate financial records and performance measurement data;
- Provided RSM with access to all information of which they are aware that is relevant to the preparation of the financial statements and key performance indicators, and the operation of controls, such as records, documentation and other matters;
- Recorded all transactions in the accounting and other records and are reflected in the financial statements and key performance indicators;
- Advised RSM of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- Advised RSM of all known instances of fraud or suspected fraud affecting the City involving management, employees who have significant role in internal control or others where the fraud could have a material effect on the financial statements and key performance indicators; and
- Provided RSM with the results of their assessment of the risk that the financial statements and key performance indicators may be materially misstated because of fraud.

Independence

The Auditor General is an independent officer of the Western Australia Parliament, appointed under legislation to examine, on behalf of Parliament and Western Australia taxpayers, the management of resources within the public sector. The Auditor General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor General, her staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

The Auditor General requires contract auditors to comply with the auditor rotation requirements of APES 110 Code of Ethics for Professional Accountants. A contract audit director may not play a significant role in the audit of an agency for more than seven financial years. RSM International audit methodology requires that we conduct an annual re-evaluation of our independence prior to the commencement of each assignment. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interests.

We are fully compliant with our Ethics and Independence Policies, which are verified and tested each year by our Partner Responsible for Ethics and Independence. Each year we are required to submit certain information to our Partner Responsible for Ethics and Independence, which is analysed and subjected to a series of stringent tests. This system has been extensively reviewed by the Australian Securities and Investments Commission and found to be in accordance with Australian Auditing Standards, the Corporations Act 2001 and better practice.

APPENDIX 7 - CHANGES IN ACCOUNTING STANDARDS

Standard or pronouncements	Description	Who does it affect	Effective Date
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.	<p>This amending standard makes narrow scope amendments to a number of standards:</p> <ul style="list-style-type: none"> ▪ AASB 1: to simplify its application by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences; ▪ AASB 3: updating the reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; ▪ AASB 9: clarifying which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; ▪ AASB 116: requiring an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use, and the related cost, in profit or loss, instead of deducting the amounts received from the cost of the asset; ▪ AASB 137: specifying the costs that an entity includes when assessing whether a contract will be loss-making; and <p>AASB 141: removing the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.</p>	All entities.	Annual reporting periods beginning on or after 1 January 2022.
AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current.	<p>This narrow-scope amendment to AASB 101 Presentation of Financial Statements clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period; and also clarifies the definition of settlement of a liability.</p> <p>For example, a liability must be classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.</p>	All entities.	Annual reporting periods beginning on or after 1 January 2023.
AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date.	AASB 2020-6 defers the mandatory effective date of amendments that were originally made in AASB 2020-1 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.	All entities.	Annual reporting periods beginning on or after 1 January 2023.

Standard or pronouncements	Description	Who does it affect	Effective Date
<p>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.</p>	<p>This amending Standard impacts a number of standards:</p> <ul style="list-style-type: none"> ▪ AASB 7: clarifying that information about measurement bases for financial instruments is expected to be material to an entity’s financial statements; ▪ AASB 101: requiring entities to disclose their material accounting policy information rather than their significant accounting policies; ▪ AASB 108: clarifying how entities should distinguish changes in accounting policies and changes in accounting estimates; ▪ AASB 134: identifying material accounting policy information as a component of a complete set of financial statements; and <p>AASB Practice Statement 2, providing guidance on how to apply the concept of materiality to accounting policy disclosures.</p>	<p>All entities.</p>	<p>Annual reporting periods beginning on or after 1 January 2023.</p>

For more information, visit: [www.rsm.global/australia/service/audit-and-assurance services](http://www.rsm.global/australia/service/audit-and-assurance-services)





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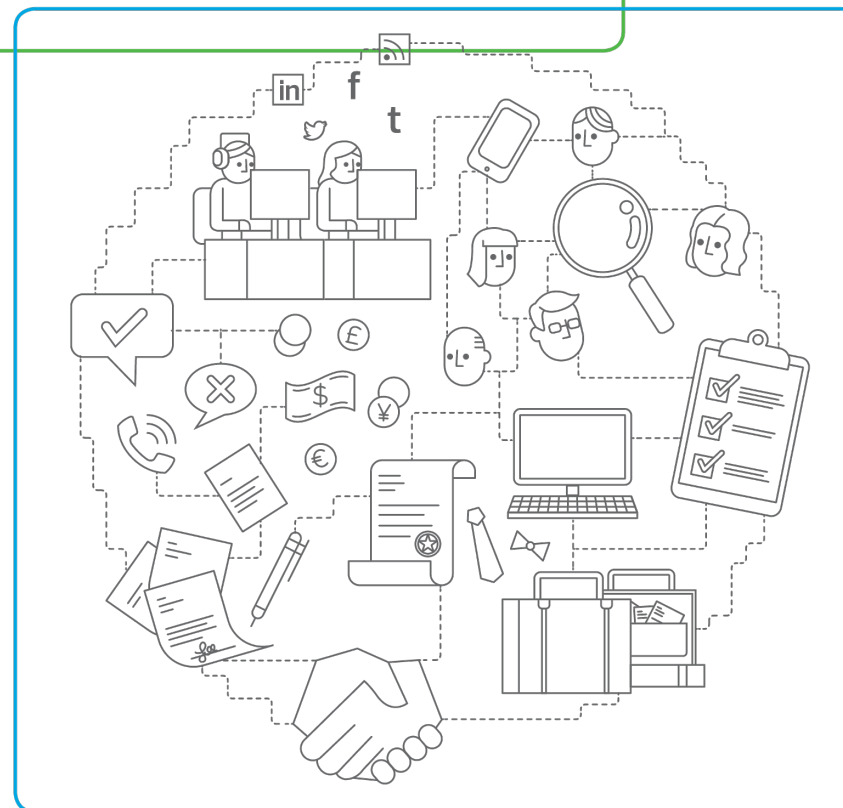
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HELPING YOU MOVE FORWARD WITH CONFIDENCE



Audit Committee Action Items

26 April 2023

Title	Item/ References	Action	Item# Completed/ In Progress	Committee Decision
External Audit of Work Health & Safety System	AC123	2. REQUIRE an update on the status of the City of Greater Geraldton 2023-2024 Work Health & Safety Strategy at the next Audit committee.	Safety Committee meeting conducted 27 February 2023, this confirmed process for City safety management systems update, 1) WHS Policy update, 2) LGIS WHS Audit Plan closeout, and 3) City 2023-2025 Work Health & Safety Strategy implementation. 1-3 to be implemented by June 2023. In Progress	
Risk Management Update	AC124	3. REQUIRE the CEO to report back to the Audit Committee the ongoing status of the City's risk profile	Whole of City Risk review program commencing. Program with reviewed and updated risk registers to be completed by June 2023. In Progress	
Compliance Audit Return	AC130	2. Report to Council the results of the Audit Committee review of the Compliance Audit Return 2022, at the Ordinary Meeting of Council on 28 March 2023.	Endorsed by Council CS 028 – 28 March 2023 Completed	
Council Policy 4.28 Managing Unreasonable Customer Conduct	AC128	1. REQUIRE the CEO to report back annually to the Audit Committee a the first meeting held after the close of the relevant financial	For Action in the 2023/2024 Financial Year In Progress	

5 FRAUD CONTROL – Nil

6 GENERAL BUSINESS - Nil

7 MEETING CLOSURE

There being no further business, the meeting was declared closed at 3.42 pm

Signed _____ Dated _____
